



ALFRED NZO

DISTRICT MUNICIPALITY

Alfred Nzo District Municipality
Consolidated financial statements
for the year ended 30 June 2015

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

General Information

Country of incorporation and domicile	South Africa
Mayoral committee	
Executive Mayor	N Diko
	S Mehlokhulu (Deputy Executive Mayor)
	S Sello (Speaker)
	B N Tobo (Chief Whip)
	P B Mabengu
	B B Maningi
	Z Busuku
	Z Lwana
	M Gqola
	V N S Mdingazwe
	P Nyangana
	P Siramza (MPAC Chair)
Councillors	D Lugayeni
	B S Mbewu
	N Voyi
	N Booi
	A Ngconjana
	N S Pikwa
	A Z Gwebani
	S K Mnukwa
	T A Mambi
	F N Ngonyolo
	J Z Munyu
	N B Nkomo
	V C Sigalelana
	S B Macuphe
	N E Kotelana
	Z Mhlwazi
	T H Kango
	B Matshoba
	B Mfingwana
	A Mbizafa
	U G Makanda
	N N Mhlelembana
	T Maphasa
	M M Mpepanduku
Grading of local authority	Grade 4
Accounting Officer	Z H Sikhundla
Chief Finance Officer (CFO)	L Fokazi
Registered office	Erf 1400 Ntsizwa Street Mount Ayliff 4735
Business address	Erf 1400 Ntsizwa Street Mount Ayliff

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

General Information

	4735
Postal address	Private Bag X511 Mount Ayliff
Controlling entity	Alfred Nzo District Municipality
Bankers	First National Bank
Auditors	Auditor General SA

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

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The reports and statements set out below comprise the consolidated financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the consolidated financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated financial statements and was given unrestricted access to all financial records and related data.

The consolidated financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or

The municipality is largely dependent on the government for continued funding of operations. The consolidated financial statements are prepared on the basis that the entity is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, they are reviewed by the municipality's audit committee.

The audit committee is responsible for independently reviewing and reporting on the municipality's consolidated financial statements.

The consolidated financial statements set out on pages 5 to 69, have been prepared on the going concern basis, and will be tabled to the next council meeting for noting.

Z H Sikhundla (Municipal Manager)

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The operating results and state of affairs of the entity are fully set out in the attached consolidated financial statements and do not in our opinion require any further comment.

Net surplus of the economic entity was R 331,430,825 (2014: restated surplus R 257,367,147).

2. Going concern

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

3. Subsequent events

Staff members affiliated to the South African Municipal Workers Union (SAMWU) engaged in an unprotected strike for a period of two weeks from July to 07 August 2015. During this period there was a total shutdown of the municipality.

4. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2015	2014 Restated*	2015	2014 Restated*
Assets					
Current Assets					
Inventories	9	5,949,843	5,808,928	5,949,843	5,808,928
Investments	7	52,795,675	123,927,596	52,795,675	123,927,596
Operating lease asset	8	-	1,029	-	1,029
Receivables from exchange transactions	10	22,893,377	15,432,330	22,859,912	15,407,717
Receivables from non-exchange transactions	11	2,047,833	622,858	2,047,833	622,858
VAT receivable	12	43,237,600	6,666,285	40,581,107	5,049,575
Cash and cash equivalents	13	76,776,048	144,780,213	73,810,298	134,602,455
		203,700,376	297,239,239	198,044,668	285,420,158
Non-Current Assets					
Property, plant and equipment	3	2,354,481,295	1,898,230,014	2,353,670,176	1,897,902,189
Intangible assets	4	3,632,933	2,681,601	3,460,110	2,568,297
Heritage assets	5	131,100	131,100	131,100	131,100
Investments in controlled entities		-	-	100	100
Long Term Receivables	6	76,783	230,846	76,783	230,846
Investments	7	36,284,293	-	36,284,293	-
		2,394,606,404	1,901,273,561	2,393,622,562	1,900,832,532
Non-Current Assets		2,394,606,404	1,901,273,561	2,393,622,562	1,900,832,532
Current Assets		203,700,376	297,239,239	198,044,668	285,420,158
Total Assets		2,598,306,780	2,198,512,800	2,591,667,230	2,186,252,690
Liabilities					
Current Liabilities					
Finance lease obligation		9,683,377	-	9,683,377	-
Operating lease liability	8	19,481	38,211	19,481	38,211
Payables from exchange transactions	18	167,878,991	108,694,647	167,742,752	109,372,320
Unspent conditional grants and receipts	14	5,720,069	9,518,620	5,720,069	9,518,620
Provisions	15	17,861,618	5,627,444	17,861,618	5,627,444
Current Portion of Long Term Liabilities	16	789,840	2,157,138	789,840	2,157,138
Payables from Non Exchange Transactions	17	644,072	1,848,080	644,072	1,848,080
		202,597,448	127,884,140	202,461,209	128,561,813
Non-Current Liabilities					
Finance lease obligation		13,730,686	-	13,730,686	-
Provisions	15	5,956,482	8,111,948	5,956,482	8,111,948
Long Term Loans	16	8,661,975	26,746,765	8,661,975	26,746,765
		28,349,143	34,858,713	28,349,143	34,858,713
Non-Current Liabilities		28,349,143	34,858,713	28,349,143	34,858,713
Current Liabilities		202,597,448	127,884,140	202,461,209	128,561,813
Total Liabilities		230,946,591	162,742,853	230,810,352	163,420,526
Assets		2,598,306,780	2,198,512,800	2,591,667,230	2,186,252,690
Liabilities		(230,946,591)	(162,742,853)	(230,810,352)	(163,420,526)
Net Assets		2,367,360,189	2,035,769,947	2,360,856,878	2,022,832,164

* See Note 34

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2015	2014 Restated*	2015	2014 Restated*
Reserves					
Statutory reserve 3		1,517,942,029	1,517,942,029	1,517,942,029	1,517,942,029
Accumulated surplus		849,418,162	517,827,917	842,914,851	504,890,133
Total Net Assets		2,367,360,191	2,035,769,946	2,360,856,880	2,022,832,162

* See Note 34

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2015	2014 Restated*	2015	2014 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	19	18,776,544	15,362,774	18,776,544	15,362,774
Rendering of services		7,440,709	1,426,050	7,440,709	1,426,050
Rental of facilities and equipment		183,728	255,199	183,728	255,199
Agency services		31,184	3,798	31,184	3,798
Other income	20	3,980,914	1,457,547	3,131,313	1,446,660
Interest received - investment	21	19,879,384	16,723,607	19,718,924	16,496,953
Total revenue from exchange transactions		50,292,463	35,228,975	49,282,402	34,991,434
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	23	819,940,587	736,736,453	819,940,587	736,736,453
Public contributions and donations		-	81,500	-	81,500
Total revenue from non-exchange transactions		819,940,587	736,817,953	819,940,587	736,817,953
		50,292,463	35,228,975	49,282,402	34,991,434
		819,940,587	736,817,953	819,940,587	736,817,953
Total revenue		870,233,050	772,046,928	869,222,989	771,809,387
Expenditure					
Employee related costs	24	(195,700,969)	(155,963,058)	(189,602,206)	(151,328,059)
Remuneration of councillors	25	(8,625,975)	(7,721,913)	(8,625,975)	(7,721,913)
Project expenses		(4,244,958)	(2,172,659)	-	-
Depreciation and amortisation		(51,794,571)	(52,064,690)	(51,429,966)	(51,886,504)
Impairment loss/ Reversal of impairments		-	(305,895)	-	-
Finance costs	26	(1,640,908)	(2,262,434)	(1,640,908)	(2,174,501)
Debt Impairment		(13,543,023)	(14,013,824)	(13,543,023)	(14,013,824)
Repairs and maintenance		(29,324,242)	(13,718,342)	(29,110,993)	(13,699,087)
Bulk purchases	27	(4,077,989)	(2,338,164)	(4,077,989)	(2,338,164)
Contracted services	28	(41,099,645)	(49,022,859)	(41,099,645)	(49,022,859)
Transfers and Subsidies	22	(60,610,328)	(117,447,572)	(79,492,487)	(137,447,572)
General Expenses	29	(127,802,404)	(98,275,016)	(112,237,862)	(89,592,255)
Total expenditure		(538,465,012)	(515,306,426)	(530,861,054)	(519,224,738)
		-	-	-	-
Total revenue		870,233,050	772,046,928	869,222,989	771,809,387
Total expenditure		(538,465,012)	(515,306,426)	(530,861,054)	(519,224,738)
Operating surplus		331,768,038	256,740,502	338,361,935	252,584,649
(Loss) gain on disposal of assets and liabilities		(337,213)	626,645	(337,213)	626,645
Surplus before taxation		331,430,825	257,367,147	338,024,722	253,211,294
Taxation		-	-	-	-
Surplus for the year		331,430,825	257,367,147	338,024,722	253,211,294

* See Note 34

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Government grant reserve	Accumulated surplus	Total net assets
Economic entity			
Balance at 01 July 2013	1,517,942,029	242,173,118	1,760,115,147
Changes in net assets			
Correction of error	-	18,287,652	18,287,652
Net income (losses) recognised directly in net assets	-	18,287,652	18,287,652
Surplus for the year	-	257,367,147	257,367,147
Total recognised income and expenses for the year	-	275,654,799	275,654,799
Total changes	-	275,654,799	275,654,799
Opening balance as previously reported	1,517,942,029	533,382,820	2,051,324,849
Adjustments			
Prior year adjustments	-	(15,395,483)	(15,395,483)
Restated* Balance at 01 July 2014 as restated*	1,517,942,029	517,987,337	2,035,929,366
Changes in net assets			
Surplus for the year	-	331,430,825	331,430,825
Total changes	-	331,430,825	331,430,825
Balance at 30 June 2015	1,517,942,029	849,418,162	2,367,360,191
Note(s)			
Controlling entity			
Balance at 01 July 2013	1,517,942,029	233,391,187	1,751,333,216
Changes in net assets			
Correction of errors	-	18,287,652	18,287,652
Net income (losses) recognised directly in net assets	-	18,287,652	18,287,652
Surplus for the year	-	253,211,294	253,211,294
Total recognised income and expenses for the year	-	271,498,946	271,498,946
Total changes	-	271,498,946	271,498,946
Opening balance as previously reported	1,517,942,029	499,074,859	2,017,016,888
Adjustments			
Prior year adjustments	-	5,815,270	5,815,270
Restated* Balance at 01 July 2014 as restated*	1,517,942,029	504,890,129	2,022,832,158
Changes in net assets			
Surplus for the year	-	338,024,722	338,024,722
Total changes	-	338,024,722	338,024,722
Balance at 30 June 2015	1,517,942,029	842,914,851	2,360,856,880
Note(s)			

* See Note 34

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Consolidated Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2015	2014 Restated*	2015	2014 Restated*
Cash flows from operating activities					
Receipts					
Service Charges		10,077,439	17,479,277	10,077,439	17,479,277
Rental of Facilities and Equipment		347,396	157,048	347,396	157,048
Interest income		13,661,235	9,608,044	13,500,775	9,370,503
Government Grants and Services		815,860,155	723,896,502	815,860,155	723,896,502
Public Contributions and Donations		24,950	81,500	24,950	81,500
Other receipts		870,054	7,515,943	870,054	7,515,943
Vat Refund		46,400,596	59,296,374	46,400,596	59,296,374
		887,241,825	818,034,688	887,081,365	817,797,147
Payments					
Employee costs		(181,310,094)	(155,649,519)	(175,211,331)	(151,014,520)
Suppliers		(159,533,603)	(338,255,869)	(159,192,570)	(346,719,648)
Finance costs		(1,562,046)	(1,140,769)	(1,562,046)	(1,052,836)
Other payments		-	(21,510)	-	(10,257)
Bulk Purchases		(3,675,168)	(14,358,558)	(3,675,168)	(14,358,558)
Repairs and Maintanance		(47,872,845)	(39,218,767)	(47,872,845)	(39,218,767)
Contracted Services		(28,085,865)	(29,784,574)	(28,085,865)	(29,784,571)
		(422,039,621)	(578,429,566)	(415,599,825)	(582,159,157)
Total receipts		887,241,825	818,034,688	887,081,365	817,797,147
Total payments		(422,039,621)	(578,429,566)	(415,599,825)	(582,159,157)
Net cash flows from operating activities	30	465,202,204	239,605,122	471,481,540	235,637,990
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(581,383,278)	(404,608,372)	(580,608,559)	(404,518,819)
Proceeds from sale of property, plant and equipment	3	8,716	1,604,298	-	1,577,341
Purchase of other intangible assets	4	(166,670)	(63,175)	-	-
Proceeds from sale of financial assets		-	101,611,243	-	101,611,243
Increase in Call Investments		56,594,197	-	56,594,197	-
Decrease/Increase in Investments		18,354,426	-	18,354,426	-
Net cash flows from investing activities		(506,592,609)	(301,456,006)	(505,659,936)	(301,330,235)
Cash flows from financing activities					
Movement in long term loans		(19,530,947)	(2,629,435)	(19,530,947)	(2,629,435)
Finance lease payments		(7,082,813)	-	(7,082,813)	-
Net cash flows from financing activities		(26,613,760)	(2,629,435)	(26,613,760)	(2,629,435)
Net increase/(decrease) in cash and cash equivalents		(68,004,165)	(64,480,319)	(60,792,156)	(68,321,680)
Cash and cash equivalents at the beginning of the year		144,780,213	209,260,532	134,602,455	202,924,137
Cash and cash equivalents at the end of the year	13	76,776,048	144,780,213	73,810,299	134,602,457

* See Note 34

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	21,534,862	14,577,784	36,112,646	18,776,544	(17,336,102)	
Rendering of services	-	-	-	7,440,709	7,440,709	
Rental of facilities and equipment	472,582	(20,981)	451,601	183,728	(267,873)	
Agency services	(27,866)	21,466	(6,400)	31,184	37,584	
Other income - (rollup)	324,251,533	24,168,085	348,419,618	3,980,914	(344,438,704)	
Interest received - investment	14,875,718	4,000,000	18,875,718	19,879,384	1,003,666	
Gains on disposal of assets	996,366	-	996,366	-	(996,366)	
Total revenue from exchange transactions	362,103,195	42,746,354	404,849,549	50,292,463	(354,557,086)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	898,108,000	(52,687,405)	845,420,595	819,940,587	(25,480,008)	
'Total revenue from exchange transactions'	362,103,195	42,746,354	404,849,549	50,292,463	(354,557,086)	
'Total revenue from non-exchange transactions'	898,108,000	(52,687,405)	845,420,595	819,940,587	(25,480,008)	
Total revenue	1,260,211,195	(9,941,051)	1,250,270,144	870,233,050	(380,037,094)	
Expenditure						
Personnel	(177,552,844)	9,733,879	(167,818,965)	(195,700,969)	(27,882,004)	
Remuneration of councillors	(8,097,652)	-	(8,097,652)	(8,625,975)	(528,323)	
Transfer payments - Other	-	-	-	(4,244,958)	(4,244,958)	
Depreciation and amortisation	(50,000,000)	-	(50,000,000)	(51,794,571)	(1,794,571)	
Finance costs	(2,100,000)	374,346	(1,725,654)	(1,640,908)	84,746	
Debt Impairment	(15,000,000)	15,000,000	-	(13,543,023)	(13,543,023)	
Repairs and maintenance	(42,028,150)	(5,664,568)	(47,692,718)	(29,324,242)	18,368,476	
Bulk purchases	(3,500,000)	-	(3,500,000)	(4,077,989)	(577,989)	
Contracted Services	(26,883,719)	(6,629,168)	(33,512,887)	(41,099,645)	(7,586,758)	
Transfers and Subsidies	(43,973,000)	6,550,000	(37,423,000)	(60,610,328)	(23,187,328)	
General Expenses	(122,902,562)	(12,820,081)	(135,722,643)	(127,802,404)	7,920,239	
Total expenditure	(492,037,927)	6,544,408	(485,493,519)	(538,465,012)	(52,971,493)	
	1,260,211,195	(9,941,051)	1,250,270,144	870,233,050	(380,037,094)	
	(492,037,927)	6,544,408	(485,493,519)	(538,465,012)	(52,971,493)	
Operating surplus	768,173,268	(3,396,643)	764,776,625	331,768,038	(433,008,587)	
Loss on disposal of assets and liabilities	-	-	-	(337,213)	(337,213)	
	768,173,268	(3,396,643)	764,776,625	331,768,038	(433,008,587)	
	-	-	-	(337,213)	(337,213)	
Capex	768,173,268	(3,396,643)	764,776,625	331,430,825	(433,345,800)	

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	21,534,862	14,577,784	36,112,646	18,776,544	(17,336,102)	
Rendering of services	-	-	-	7,440,709	7,440,709	
Rental of facilities and equipment	472,582	(20,981)	451,601	183,728	(267,873)	
Agency services	(27,866)	21,466	(6,400)	31,184	37,584	
Other income - (rollup)	323,951,533	24,168,085	348,119,618	3,131,313	(344,988,305)	
Interest received - investment	14,675,718	4,000,000	18,675,718	19,718,924	1,043,206	
Gains on disposal of assets	996,366	-	996,366	-	(996,366)	
Total revenue from exchange transactions	361,603,195	42,746,354	404,349,549	49,282,402	(355,067,147)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	898,108,000	(52,687,405)	845,420,595	819,940,587	(25,480,008)	
'Total revenue from exchange transactions'	361,603,195	42,746,354	404,349,549	49,282,402	(355,067,147)	
'Total revenue from non-exchange transactions'	898,108,000	(52,687,405)	845,420,595	819,940,587	(25,480,008)	
Total revenue	1,259,711,195	(9,941,051)	1,249,770,144	869,222,989	(380,547,155)	
Expenditure						
Personnel	(169,752,844)	9,733,879	(160,018,965)	(189,602,206)	(29,583,241)	
Remuneration of councillors	(8,097,652)	-	(8,097,652)	(8,625,975)	(528,323)	
Depreciation and amortisation	(50,000,000)	-	(50,000,000)	(51,429,966)	(1,429,966)	
Finance costs	(2,100,000)	374,346	(1,725,654)	(1,640,908)	84,746	
Debt Impairment	(15,000,000)	-	(15,000,000)	(13,543,023)	1,456,977	
Repairs and maintenance	(41,920,000)	(5,642,938)	(47,562,938)	(29,110,993)	18,451,945	
Bulk purchases	(3,500,000)	-	(3,500,000)	(4,077,989)	(577,989)	
Contracted Services	(26,883,719)	(6,629,168)	(33,512,887)	(41,099,645)	(7,586,758)	
Transfers and Subsidies	(43,973,000)	6,550,000	(37,423,000)	(79,492,487)	(42,069,487)	
General Expenses	(112,869,462)	(14,826,701)	(127,696,163)	(112,237,862)	15,458,301	
Total expenditure	(474,096,677)	(10,440,582)	(484,537,259)	(530,861,054)	(46,323,795)	
	1,259,711,195	(9,941,051)	1,249,770,144	869,222,989	(380,547,155)	
	(474,096,677)	(10,440,582)	(484,537,259)	(530,861,054)	(46,323,795)	
Operating surplus	785,614,518	(20,381,633)	765,232,885	338,361,935	(426,870,950)	
Loss on disposal of assets and liabilities	-	-	-	(337,213)	(337,213)	
	785,614,518	(20,381,633)	765,232,885	338,361,935	(426,870,950)	
	-	-	-	(337,213)	(337,213)	
Surplus before Capex	785,614,518	(20,381,633)	765,232,885	338,024,722	(427,208,163)	
Deficit before taxation	785,614,518	(20,381,633)	765,232,885	338,024,722	(427,208,163)	
Capex	-	-	-	-	-	

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus for the year from continuing operations	785,614,518	(20,381,633)	765,232,885	338,024,722	(427,208,163)	
Capex	(573,681,600)	(189,949,636)	(763,631,236)	-	763,631,236	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	211,932,918	(189,949,636)	1,601,649	338,024,722	336,423,073	

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.1 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	5-30
Improvements	Straight line	3-15
Plant and machinery	Straight line	3-15
Furniture and fixtures	Straight line	5-10
Motor vehicles	Straight line	5-10
Office equipment	Straight line	5-10
Infrastructure	Straight line	3- 100
Community	Straight line	20-30

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.1 Property, plant and equipment (continued)

Other property, plant and equipment # 4

Straight line

2-15

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.2 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	2-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.3 Heritage assets

Assets are resources controlled by an economic entity as a result of past events and from which future economic benefits or service potential are expected to flow to the economic entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an economic entity's operations that is shown as a single item for the purpose of disclosure in the consolidated financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Heritage assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Financial instruments (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value
Other financial asset2	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost
Loan3	Financial liability measured at amortised cost
Other receivables1	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost
Other financial liability1	Financial liability measured at fair value
Other financial liability2	Financial liability measured at fair value

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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1.4 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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Accounting Policies

1.4 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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Accounting Policies

1.4 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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Accounting Policies

1.6 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Discontinued Operations

Discontinued operation is a component of an municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

A component of an municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Alfred Nzo District Municipality

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Accounting Policies

1.10 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Alfred Nzo District Municipality

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Accounting Policies

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

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Accounting Policies

1.17 Irregular expenditure (continued)

- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Conditional Grant

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (Revised 2013) : Borrowing costs

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments are applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amended is not material

GRAP 100 (Revised 2013:) Discontinued operations

All accounting , presentation and disclosure requirements with regards to non current assets held for sale (or disposal groups) have been deleted. The impact of the amendment is :

Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.

Certain disclosure must be made if, at the reporting date , management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 Annual Financial Statements.

The impact of the amendment is not material

3. Property, plant and equipment

Economic entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	14,554,457	-	14,554,457	14,354,457	-	14,354,457
Buildings	54,013,308	(16,675,669)	37,337,639	54,293,308	(14,928,973)	39,364,335
Furniture and fixtures	211,940	(128,698)	83,242	211,940	(92,971)	118,969
Motor vehicles	29,690,193	(543,233)	29,146,960	-	(80,000)	(80,000)
IT equipment	730,089	(311,372)	418,717	262,170	(131,809)	130,361

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Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

3. Property, plant and equipment (continued)

Infrastructure	1,372,472,938	(225,263,286)	1,147,209,652	1,323,404,373	(183,020,696)	1,140,383,677
Other property, plant and equipment	52,449,665	(20,629,718)	31,819,947	39,444,547	(15,137,501)	24,307,046
Assets under construction	1,093,910,681	-	1,093,910,681	679,651,169	-	679,651,169
Total	2,618,033,271	(263,551,976)	2,354,481,295	2,111,621,964	(213,391,950)	1,898,230,014

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	14,554,457	-	14,554,457	14,354,457	-	14,354,457
Buildings	54,013,308	(16,675,669)	37,337,639	54,293,308	(14,928,973)	39,364,335
Motor vehicles	29,395,567	(499,322)	28,896,245	-	(80,000)	(80,000)
Infrastructure	1,372,472,938	(225,263,286)	1,147,209,652	1,323,404,373	(183,020,696)	1,140,383,677
Other property, plant and equipment	52,372,717	(20,611,215)	31,761,502	39,345,620	(15,117,069)	24,228,551
Assets Under Construction	1,093,910,681	-	1,093,910,681	679,651,169	-	679,651,169
Total	2,616,719,668	(263,049,492)	2,353,670,176	2,111,048,927	(213,146,738)	1,897,902,189

Reconciliation of property, plant and equipment - Economic entity - 2015

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Adjustment	Total
Land	14,354,457	-	-	-	-	200,000	14,554,457
Buildings	39,364,335	-	-	-	(1,826,696)	(200,000)	37,337,639
Furniture and fixtures	118,969	-	-	(404)	(35,323)	-	83,242
Motor vehicles	(80,000)	29,690,193	-	-	(543,233)	80,000	29,146,960
IT equipment	130,361	480,093	(8,716)	822	(183,843)	-	418,717
Infrastructure	1,140,383,677	49,068,565	-	-	(42,242,590)	-	1,147,209,652
Other property, plant and equipment	24,307,046	13,254,819	-	(4,660)	(5,737,258)	-	31,819,947
Assets Under Construction	679,651,169	463,328,077	-	-	(49,068,565)	-	1,093,910,681
	1,898,230,014	555,821,747	(8,716)	(4,242)	(99,637,508)	80,000	2,354,481,295

Reconciliation of property, plant and equipment - Economic entity - 2014

	Opening balance	Additions	Disposals	Depreciation for disposed assets	Other changes, movements	Depreciation	Adjustments
Land	-	-	-	-	-	-	14,354,457
Buildings	40,995,752	-	-	-	-	(1,831,417)	200,000
Furniture and fixtures	154,696	-	-	-	(403)	(35,324)	-
Motor vehicles	-	-	-	-	-	(80,000)	-
IT equipment	181,729	14,123	(22,512)	-	(822)	(42,157)	-
Infrastructure	1,183,620,504	-	-	-	-	(43,564,452)	327,620
Other property, plant and equipment	22,526,650	7,643,831	(2,010,391)	1,036,844	215	(4,890,103)	-
Assets Under Construction	391,418,533	288,232,636	-	-	-	-	-
	1,638,897,864	295,890,590	(2,032,903)	1,036,844	(1,010)	(50,443,453)	14,882,000

Reconciliation of property, plant and equipment - Controlling entity - 2015

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

3. Property, plant and equipment (continued)

	Opening balance	Additions	Transfers received	Depreciation	Adjustment	Total
Land	14,354,457	-	-	-	200,000	14,554,457
Buildings	39,364,335	-	-	(1,826,696)	(200,000)	37,337,639
Motor vehicles	(80,000)	29,395,567	-	(499,322)	80,000	28,896,245
Infrastructure	1,140,383,677	49,068,565	-	(42,242,590)	-	1,147,209,652
Other property, plant and equipment	24,228,551	13,254,819	-	(5,721,868)	-	31,761,502
Assets Under Construction	679,651,169	463,328,077	(49,068,565)	-	-	1,093,910,681
	1,897,902,189	555,047,028	(49,068,565)	(50,290,476)	80,000	2,353,670,176

Reconciliation of property, plant and equipment - Controlling entity - 2014

	Opening balance	Additions	Transfers received	Depreciation for disposed assets	Depreciation	Adjustment	Total
Land	-	-	-	-	-	14,354,457	14,354,457
Buildings	40,995,752	-	-	-	(1,831,417)	200,000	39,364,335
Motor vehicles	-	-	-	-	(80,000)	-	(80,000)
Infrastructure	1,183,620,504	-	-	-	(43,564,452)	327,625	1,140,383,677
Other property, plant and equipment	22,511,234	7,568,401	(2,005,946)	1,032,399	(4,877,537)	-	24,228,551
Assets Under Construction	391,418,533	288,232,636	-	-	-	-	679,651,169
	1,638,546,023	295,801,037	(2,005,946)	1,032,399	(50,353,406)	14,882,082	1,897,902,189

4. Intangible assets

Economic entity	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,939,057	(2,478,947)	3,460,110	3,907,754	(1,339,457)	2,568,297
Computer software, other	406,361	(233,538)	172,823	244,366	(131,062)	113,304
Total	6,345,418	(2,712,485)	3,632,933	4,152,120	(1,470,519)	2,681,601

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,939,057	(2,478,947)	3,460,110	3,907,754	(1,339,457)	2,568,297

Reconciliation of intangible assets - Economic entity - 2015

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software	2,568,297	2,031,303	-	(1,139,490)	3,460,110
Computer software, other	113,304	166,670	(21,013)	(86,138)	172,823

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

4. Intangible assets (continued)

	2,681,601	2,197,973	(21,013)	(1,225,628)	3,632,933
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Reconciliation of intangible assets - Economic entity - 2014

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software	2,978,404	355,100	-	(765,207)	2,568,297
Computer software, other	92,291	-	21,013	-	113,304
	3,070,695	355,100	21,013	(765,207)	2,681,601

Reconciliation of intangible assets - Controlling entity - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	2,568,297	2,031,303	(1,139,490)	3,460,110

Reconciliation of intangible assets - Controlling entity - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	2,978,404	355,100	(765,207)	2,568,297

5. Heritage assets

Economic entity	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	131,100	-	131,100	131,100	-	131,100

Controlling entity	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	131,100	-	131,100	131,100	-	131,100

Reconciliation of heritage assets Economic entity - 2015

	Opening balance	Total
Art Collections, antiquities and exhibits	131,100	131,100

Reconciliation of heritage assets Economic entity - 2014

	Opening balance	Total
Art Collections, antiquities and exhibits	131,100	131,100

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

5. Heritage assets (continued)

Reconciliation of heritage assets Controlling entity - 2015

	Opening balance	Total
Art Collections, antiquities and exhibits	131,100	131,100

Reconciliation of heritage assets Controlling entity - 2014

	Opening balance	Total
Art Collections, antiquities and exhibits	131,100	131,100

6. Long Term Receivables

Long Term Receivables	897,508	839,963	897,508	839,963
Impairment of loans to shareholders	897,508 (820,725)	839,963 (609,117)	897,508 (820,725)	839,963 (609,117)
	76,783	230,846	76,783	230,846

The long term receivables relate to car loans issued to former employees. These loans were issued at 8% per annum for 4 years. These loans have been owing since 2004. The loans have been handed over to the lawyers for collection. The recoverability of these amounts is not certain hence the provision for impairment

Loans to shareholders past due but not impaired

Long Term Receivables which are making payments even though they are past due are not considered to be impaired. At 30 June 2015, R76 783 (2014 R251 609).

Loans to shareholders impaired

As of 30 June 2015, Long Term Receivables of R 820,725 (2014: R 609,117) were impaired and provided for.

The amount of the provision was R 820,725 as of 30 June 2015 (2014: R 609,117).

7. Investments

Designated at fair value

Nedbank Short term Investment	-	50,610,341	-	50,610,341
Investec - Short Term Investment	52,795,675	50,738,057	52,795,675	50,738,057
Investec- Short Term Investment	-	22,579,198	-	22,579,198
Investec Long Term Investments	31,078,061	-	31,078,061	-
Ned Bank Long Term Investment	5,206,232	-	5,206,232	-
	89,079,968	123,927,596	89,079,968	123,927,596
	89,079,968	123,927,596	89,079,968	123,927,596
	-	-	-	-
	-	-	-	-
Total other financial assets	89,079,968	123,927,596	89,079,968	123,927,596

Non-current assets

Designated at fair value	36,284,293	-	36,284,293	-
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Current assets

Designated at fair value	52,795,675	123,927,596	52,795,675	123,927,596
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Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
7. Investments (continued)				
Non-current assets	36,284,293	-	36,284,293	-
Current assets	52,795,675	123,927,596	52,795,675	123,927,596
	89,079,968	123,927,596	89,079,968	123,927,596
8. Operating lease asset (accrual)				
Current assets	-	1,029	-	1,029
Current liabilities	(19,481)	(38,211)	(19,481)	(38,211)
	(19,481)	(37,182)	(19,481)	(37,182)
9. Inventories				
Consumable stores	2,717,707	1,797,898	2,717,707	1,797,898
Water	3,021,678	3,802,520	3,021,678	3,802,520
Stationery	210,458	208,510	210,458	208,510
	5,949,843	5,808,928	5,949,843	5,808,928
9.1 Water Losses				
Water stock opening balance	204,862	204,273	204,862	204,273
Produced	4,763,022	3,864,159	4,763,022	3,864,159
Less Water Sales	(2,228,995)	(936,927)	(2,228,995)	(936,927)
Less Water Stock closing balance	(205,846)	(204,862)	(205,846)	(204,862)
	2,533,043	2,926,643	2,533,043	2,926,643
Cost of producing one cubic meter	15	19	15	19
Water loss in rands	37,183,224	54,322,646	37,183,224	54,322,646
Water loss as percentage of produced	53	72	53	72
10. Receivables from exchange transactions				
Consumer debtors - Water	21,839,750	14,620,634	21,839,750	14,620,634
Consumer debtors - Sewerage	978,345	750,548	978,345	750,548
Consumer debtors - Other	75,282	61,148	41,817	36,535
	22,893,377	15,432,330	22,859,912	15,407,717
Gross Amount				
Water	80,303,991	62,702,681	80,303,991	62,702,681
Sanitation	10,076,564	8,208,859	10,076,564	8,208,859
Other	41,817	137,171	41,817	36,535
	90,422,372	71,048,711	90,422,372	70,948,075
Less Impairment Provision				
Water	(59,773,968)	(49,097,679)	(59,773,968)	(49,097,679)
Sanitation	(9,097,808)	(6,442,682)	(9,097,808)	(6,442,682)
	(68,871,776)	(55,540,361)	(68,871,776)	(55,540,361)
Net Balances				
Water	20,530,023	13,815,479	20,530,023	13,605,002
Sanitation	978,755	1,766,177	978,755	1,766,177
Other	75,282	137,171	41,817	36,535

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

10. Receivables from exchange transactions (continued)

	21,584,060	15,718,827	21,550,595	15,407,714
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Water

Current (0-30 days)	1,266,860	1,204,163	1,266,860	1,204,163
31 -60 days	1,557,479	1,389,476	1,557,479	1,389,476
61- 90 days	1,364,277	1,034,972	1,364,277	1,034,972
91- 120 days	1,238,805	1,231,876	1,238,805	1,231,876
> 120 days	74,876,571	58,052,595	74,876,571	57,842,194
	80,303,992	62,913,082	80,303,992	62,702,681

Sanitation

Current (0-30 days)	211,772	201,352	211,772	201,352
31-60 days	198,629	194,734	198,629	194,734
61- 90 days	193,910	211,944	193,910	211,944
91 -120 days	191,979	209,363	191,979	209,363
> 120 days	9,280,273	7,391,466	9,280,273	7,391,466
	10,076,563	8,208,859	10,076,563	8,208,859

Sundries

Current (0-30 days)	1,300	1,302	1,300	1,302
30-60 days	1,301	1,302	1,301	1,302
61- 90 days	1,302	23,503	51,148	23,503
91-120 days	1,302	10,428	1,302	10,428
>120 days	70,077	24,613	36,575	-
	75,282	61,148	91,626	36,535

Summary of debtors by customer classification

	1	-	-	-
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	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
Current (0-30 days)	1,151,400	792,934	1,151,400	792,934
31- 60 days	746,955	649,595	746,955	649,595
61-90 days	723,712	553,735	723,712	553,735
91 -120 days	707,347	571,438	707,347	571,438
>120 days	47,527,555	33,146,021	47,494,090	33,121,408
Subtotal	50,856,969	35,713,723	50,823,504	35,689,110
Less Impairment Provision	(47,921,632)	(34,251,701)	(47,921,632)	(34,251,701)
	2,935,337	1,462,022	2,901,872	1,437,409

Churches

Current (0-30 days)	20,428	18,318	20,428	18,318
31 60 days	21,312	64,717	21,312	64,717
61- 90 days	20,215	8,944	20,215	8,944
91-120 days	17,945	13,492	17,945	13,492
>120 days	1,247,824	927,985	1,247,824	927,985
Subtotal	1,327,724	1,033,456	1,327,724	1,033,456
	(1,255,155)	(950,421)	(1,255,155)	(950,421)
	72,569	83,035	72,569	83,035

Alfred Nzo District Municipality

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Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

10. Receivables from exchange transactions (continued)

Industrial / Commercial

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
Current (0-30 days)	444,937	228,193	259,386	228,193
31-60 days	495,539	515,935	467,438	515,935
61 -90 days	492,598	397,207	492,596	397,207
91- 120 days	407,349	537,406	401,897	537,406
> 120 days	20,300,721	19,193,148	20,184,602	19,193,148
Subtotal	22,141,144	20,871,889	21,805,919	20,871,889
Less Impairment Provision	(19,694,990)	(20,338,240)	(20,586,498)	(20,338,240)
	2,446,154	533,649	1,219,421	533,649

National and Provincial Government

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
Current (3-30days)	316,661	91,189	316,661	91,189
31- 60 days	526,764	354,825	526,764	354,825
61-90 days	329,177	287,179	329,177	287,179
91- 120 days	307,578	319,291	307,578	319,291
> 120 days	15,959,013	12,401,763	15,959,013	12,401,763
Subtotal	17,439,193	13,454,247	17,439,193	13,454,247
	17,439,193	13,454,247	17,439,193	13,454,247

Total

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
Current (0-30 days)	1,933,427	1,130,643	1,933,427	1,130,643
31 -60 days	1,790,570	1,585,072	1,790,570	1,585,072
61- 90 days	1,565,702	1,247,065	1,565,702	1,247,065
91-120 days	1,440,344	1,441,627	1,440,344	1,441,627
>120 days	85,035,113	65,568,281	85,001,648	65,543,668
Subtotal	91,765,156	70,972,688	91,731,691	70,948,075
Less Impairment Provision	(68,871,776)	(55,540,361)	(68,871,776)	(55,540,361)
	22,893,380	15,432,327	22,859,915	15,407,714

Trade and other receivables past due but not impaired

31-60 days	1,769,258	1,585,072	1,769,258	1,585,072
61-90 days	1,545,486	287,179	1,545,486	287,179
91-120 days	307,578	319,291	307,578	319,291
>120 days	15,959,013	12,401,763	15,959,013	12,401,763
Subtotal	19,581,335	14,593,305	19,581,335	14,593,305
	19,581,335	14,593,305	19,581,335	14,593,305

Credit quality of trade and other receivables

Alfred Nzo District Municipality

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Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

10. Receivables from exchange transactions (continued)

The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assessed for indications of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Consumers receivables are billed monthly. No interest is charged on consumer receivables. An imputed interest has been calculated to comply with the provisions of GRAP 9 paragraph 15 of revenue recognition. The municipality enforces its approved credit control policy to ensure the recovery of consumer receivables. Deposits are required to be paid for all water accounts opened. The financial assets that are fully performing have been negotiated in the last year.

Receivables past due and impaired

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
91-120 days	1,132,641	1,122,336	1,132,641	1,122,336
>120 days	69,042,635	53,453,018	69,042,635	53,453,018
Subtotal	70,175,276	54,575,354	70,175,276	54,575,354
	70,175,276	54,575,354	70,175,276	54,575,354

Reconciliation of provision for impairment of trade and other receivables

Opening balance	55,540,361	41,526,537	55,540,361	41,526,537
Provision for impairment	13,331,415	14,013,824	13,331,415	14,013,824
	68,871,776	55,540,361	68,871,776	55,540,361

Consumer debtors pledged as security

No consumer debtors were pledged as security during the year.

11. Receivables from non-exchange transactions

Fines	-	1	-	1
Sundry Debtors	2,022,346	597,368	2,022,346	597,368
Staff Debtors	25,487	25,489	25,487	25,489
	2,047,833	622,858	2,047,833	622,858

12. VAT receivable

VAT	43,237,600	6,666,285	40,581,107	5,049,575
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VAT Reconciliation

VAT Receivable	43,237,600	6,666,287	40,581,107	4,948,939
VAT Accruals	12,527,256	6,538,743	12,527,256	6,538,743
VAT for consumer debtors	-	8,860,807	-	8,860,807
	55,764,856	22,065,837	53,108,363	20,348,489

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Short - term deposits	73,874,374	130,209,711	71,226,061	130,185,609
Bank balances	2,901,674	14,570,502	2,584,237	4,416,846

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Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014

13. Cash and cash equivalents (continued)

76,776,048 144,780,213 73,810,298 134,602,455

Short term deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 0% to 4.5% per annum.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Main Account - Current Account # 62024932974	2,604,072	4,073,123	4,066,273	2,583,924	4,429,132	17,638,489
Water and Sanitation Account - Current Account # 62152581586	-	(12,247)	11,981,165	312	(12,286)	12,026,331
ANDM Main Call - Money Market #62474364553	7,345,088	45,199,132	-	7,345,088	45,130,932	-
ANDM Main Call - Money Market- Account # 6202745456038	-	-	9,977,587	-	-	9,977,587
Attic Account- Call Account - Account #	718,506	683,274	920,727	718,506	683,274	920,727
Disaster Management Account #62027457036	-	-	5,304	-	-	5,304
Drought Relief Account - account # 62058638415	-	-	1,036	-	-	1,036
Dwarf Capital Account # 62058638415	432,674	-	6,004,997	432,674	-	6,004,997
	-	8,314,247	7,295,322	-	8,043,047	7,295,322
EPWP Account #62058637110	491,143	4,572	6,205,408	491,143	4,572	6,205,408
FMG	249,583	2,581,919	38,617	249,583	2,581,874	38,617
IDP Grant Account #6202745068	-	-	1,190	-	-	1,190
LG Seta Account	-	-	918,539	-	-	918,539
LED Grant Account #62019084144	-	-	2,603	-	-	2,603
LED Capacity Building Account #62090556279	-	-	1,576,715	-	-	1,576,715
LED Strategy Account #62090556279	-	-	1,570	-	-	1,570
MIG Account #62065368328	388,924	19,107,257	22,789,957	388,924	19,107,257	22,789,957
MSIG Account: Account #62027459256	360,605	194,833	30,563	360,605	194,833	30,563
PMS Account; Account # 62058638837	-	-	1,774	-	-	1,774
Reserve Fund Account: Account #	54,448,228	41,728,690	46,235,438	54,448,228	41,728,690	46,235,438
Rural Housing Development Account #62027456559	5,412,995	5,418,622	1,327,013	5,412,995	5,418,577	1,327,013
Salaries Account- Account# 62034530297	-	-	34,090,317	-	-	34,090,317
Sport and Recreation Account: Account #62025448855	7,641	877,368	1,007,756	7,641	877,323	1,007,756
Thetha Account :Account #	766,749	921,397	888,709	766,749	921,397	888,709

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand			Economic entity		Controlling entity	
			2015	2014	2015	2014
13. Cash and cash equivalents (continued)						
Vote 2 Account #620586716	-	-	24,661,302	-	-	24,661,302
Vote 4 Account # 62454657720	-	-	22,697,016	-	-	22,697,016
ANDM Plant Account; Account #6204576057	-	-	178,804	-	-	178,804
MWIG Account #62033034448	99,612	5,483,561	-	99,612	5,483,561	-
Disaster Relief Fund	498,870	5,079	-	498,870	5,079	-
DBSA Front Loading Account: Account # 62425228732	5,442	5,191	-	5,442	5,191	-
FNB Public Sector Cheque Account#62215290355	-	10,153,656	-	317,437	10,153,656	6,313,265
FNB Call Account # 62238128351	3,417	3,280	3,027	3,417	3,280	3,027
FNB Call Account #62238128517	2,872	2,759	2,546	2,871	2,759	2,546
FNB Call Account #622238128781	4,572	4,381	4,045	4,572	4,381	4,045
FNB Call Account #62238129094	1,472	1,422	1,313	1,472	1,422	1,313
FNB Call Account# 62238129804	1,484	1,434	1,324	1,484	1,434	1,324
FNB - Call Account #62238130231	1,882,567	6,002	5,539	1,882,567	6,002	5,539
Grain Call Account	2,784	-	2,784	2,784	2,676	2,568
Cut Flower Call Account	2,217	-	2,145	2,216	2,145	2,059
ANDA Petty Cash	-	-	-	500	-	-
Total	75,731,517	144,758,952	202,928,425	76,029,616	144,780,208	222,858,770

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

	(1)	(1)	(1)	(1)
Municipal Infrastructure Grant	-	9,469	-	9,469
Department of Water Affairs	300,000	(14,362)	300,000	(14,362)
Local Economic Development Capacity Thetha	-	32,481	-	32,481
Municipal Health Grant	(1)	-	(1)	-
Water Conservation and Demand Management	279,491	-	279,491	-
Local Economic Development Strategy	-	152	-	152
Sports and Recreation	363,818	1,348,837	363,818	1,348,837
Disaster Management	-	339	-	339
Infrastructure Skills Development Grant	324,332	1,263,663	324,332	1,263,663
Regional Bulk Grant	545,342	-	545,342	-
Fire and Emergency	868,661	868,661	868,661	868,661
Attic	145,874	653,985	145,874	653,985
Rural Housing	2,892,553	5,219,814	2,892,553	5,219,814
Intergrated Sustainable Rural Devolpment Programme	-	411	-	411
Municipal Water Infrastructure Grant	-	135,171	-	135,171
	5,720,069	9,518,620	5,720,069	9,518,620

The nature and extent of government grants recognised in the consolidated financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

15. Provisions

Reconciliation of provisions - Economic entity - 2015

	Opening Balance	Difference	Additions	Utilised during the year	Total
Current Long Service	860,965	-	(108,237)	-	752,728
Non Current Long Service	8,111,948	-	(1,294,500)	(860,966)	5,956,482
Leave Pay Provision	4,766,479	1	12,342,410	-	17,108,890
	13,739,392	1	10,939,673	(860,966)	23,818,100

Reconciliation of provisions - Economic entity - 2014

	Opening Balance	Difference	Additions	Utilised during the year	Total
Current Long Service	860,965	-	-	-	860,965
Non Current Long Service	3,767,173	-	4,667,482	(322,707)	8,111,948
Leave Pay Provision	3,393,336	(1)	1,373,144	-	4,766,479
	8,021,474	(1)	6,040,626	(322,707)	13,739,392

Reconciliation of provisions - Controlling entity - 2015

	Opening Balance	Difference	Additions	Utilised during the year	Total
Current Long Service	860,965	-	(108,237)	-	752,728
Non Current Long Service	8,111,948	-	(1,294,500)	(860,966)	5,956,482
Leave Pay Provision	4,766,479	1	12,342,410	-	17,108,890
	13,739,392	1	10,939,673	(860,966)	23,818,100

Reconciliation of provisions - Controlling entity - 2014

	Opening Balance	Difference	Additions	Utilised during the year	Total
Current Long Service	860,965	-	-	-	860,965
Non Current Long Service	3,767,173	-	4,667,482	(322,707)	8,111,948
Leave Pay Provision	3,393,336	(1)	1,373,144	-	4,766,479
	8,021,474	(1)	6,040,626	(322,707)	13,739,392

Non-current liabilities	5,956,482	8,111,948	5,956,482	8,111,948
Current liabilities	17,861,618	5,627,444	17,861,618	5,627,444
	23,818,100	13,739,392	23,818,100	13,739,392

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

15. Provisions (continued)

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, long -service award is payable after five years of continuous service and every five years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees. These provisions are made to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

The most recent actuarial valuation of the plan assets and present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Project Unit Credit Method.

At year end, 411 (2014 :448) employees were eligible for long service awards.

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The principal assumptions used for the purpose of the actuarial valuations were as follows

Discount rate	7.90	7.95 %	7.90 %	7.95 %
Cost Inflation rate	7.02 %	7.13 %	7.02 %	7.13 %
Net Effective Discount Rate	0.82 %	0.77 %	0.82 %	0.77 %
Expected Retirement Age-Females	60	60	60	60
Expected retirement Age - Males	65	65	65	65
	-	-	-	-

Movements in the present value of the Defined Benefit Obligation were as follows

Balance at the beginning of the year	8,972,914	4,628,139	8,972,914	4,628,139
Current Service Cost	1,386,066	1,048,480	1,386,066	1,048,480
Interest Cost	679,845	332,488	679,845	332,488
Benefits paid	(860,966)	(322,707)	(860,966)	(322,707)
Actuarial losses / (gains)	(3,468,649)	3,286,514	(3,468,649)	3,286,514
	6,709,210	8,972,914	6,709,210	8,972,914

The amounts recognised in the Statement of Financial Performance are as follows

Current Service Cost	1,386,066	1,048,480	1,386,066	1,048,480
Interest Cost	679,845	332,488	679,845	332,488
Actuarial losses /(gains)	(3,468,649)	3,286,514	(3,468,649)	3,286,514
	(1,402,738)	4,667,482	(1,402,738)	4,667,482
	-	1	-	-

The history of experienced adjustments is as follows

History of adjustment	2015	2014	2013	2012
Present Value of Defined Value Obligation	6,709,210	8,972,914	4,628,139	1,432,612

Alfred Nzo District Municipality

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Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

16. Long Term Loans

The annuity loan is with the Development Bank of South Africa over a period of 25 years and at an interest rate of 11.47% per annum.

The municipality did not default on any payment of its Long Term Liabilities. No terms for payment were re-negotiated by the municipality.

An investment with Nedbank (Account Number 7881111046/0002) has been ceded as security for the loan. Refer to appendix "A" for more detail on Long Term Liabilities.

Development Bank of South Africa

Non Current at Amortised Cost	8,661,975	26,746,763	8,661,975	26,746,763
Current at Amortised Cost	789,840	2,157,139	789,840	2,157,139
	9,451,815	28,903,902	9,451,815	28,903,902

17. Payables From Non Exchange Transactions

Unallocated credits

Unallocated credits	730,268	1,848,080	730,268	1,848,080
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Unallocated credits relate to deposits made into the municipality bank account but the identity of the depositor is not yet known.

18. Payables from exchange transactions

Trade payables	83,896,056	61,616,202	85,487,330	60,731,411
PAYE and UIF	1,165,142	292,093	-	-
Retentions	94,110,661	53,337,588	94,110,661	53,337,588
Third Party Payments	1,458,518	249,571	1,325,274	57,190
Alfred Nzo Development Agency	2,715	(691,191)	2,715	1,784,874
VAT Accrual	(13,183,228)	(6,538,743)	(13,183,228)	(6,538,743)
Staff Leave	429,127	429,127	-	-
	167,878,991	108,694,647	167,742,752	109,372,320

19. Service charges

Sale of water	16,960,112	14,167,281	16,960,112	14,167,281
Sewerage and sanitation charges	1,816,432	1,195,493	1,816,432	1,195,493
	18,776,544	15,362,774	18,776,544	15,362,774

20. Other income

Fire Levy	20,171	9,772	20,171	9,772
Sundry Income	1,773,127	255,465	1,773,127	255,465
Tender Deposits	661,259	910,631	661,259	910,631
Refund received	2,200	2,500	2,200	2,500
Public toilet takings	-	5,781	-	5,781
Other income	849,601	10,887	-	-
LG Seta	78,637	264,569	78,637	264,569
Insurance Claim	595,919	(2,058)	595,919	(2,058)
	3,980,914	1,457,547	3,131,313	1,446,660

21. Investment revenue

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
21. Investment revenue (continued)				
Interest revenue				
Call Deposits	19,718,674	16,431,885	19,718,674	16,431,885
Bank	160,710	291,722	250	65,068
	19,879,384	16,723,607	19,718,924	16,496,953
	-	-	-	-
	19,879,384	16,723,607	19,718,924	16,496,953

22. Grants and subsidies paid

Other subsidies				
Other Grants	64,492,487	107,964,547	64,492,487	107,964,547
Free Basic Services	-	8,118,199	-	8,118,199
Grants In Aid	(3,882,159)	1,364,826	15,000,000	21,364,826
	60,610,328	117,447,572	79,492,487	137,447,572
Grants paid to ME's	-	-	-	-
Other subsidies	60,610,328	117,447,572	79,492,487	137,447,572

23. Government grants and subsidies

Operating grants				
Finance Management Grant	1,250,000	1,500,000	1,250,000	1,500,000
Municipal Health	2,328,916	4,201,898	2,328,916	4,201,898
Municipal Water Infrastructure Grant	28,171,642	15,082,829	28,171,642	15,082,829
Local Government SETA	661,500	-	661,500	-
Equitable Share	342,149,000	319,703,000	342,149,000	319,703,000
Deptment of Water Grant	9,469	-	9,469	-
Attic	508,111	-	508,111	-
Energy Efficiency and Demand Management	4,000,000	-	4,000,000	-
Rural Housing	6,827,261	-	6,827,261	-
Municipal Systems Improvement Grant	934,000	890,000	934,000	890,000
Expanded Public Works Programme	8,323,000	5,780,000	8,323,000	5,780,000
Water Services Operation Grant	5,000,000	14,131,730	5,000,000	14,131,730
Municipal Infrastructure Grant	367,363,000	354,885,000	367,363,000	354,885,000
Regional Bulk Infrastructure Grant	44,138,146	13,600,544	44,138,146	13,600,544
Transport	2,104,000	2,391,795	2,104,000	2,391,795
Rain Water Harvest	901	372,069	901	372,069
Sports and Culture	985,018	1,851,861	985,018	1,851,861
Water Conservation and Demand Management	1,247,291	109,390	1,247,291	109,390
Infrastructure Skills Development Grant	3,939,332	2,236,337	3,939,332	2,236,337
	819,940,587	736,736,453	819,940,587	736,736,453

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and also to assist poor municipalities with financing their operational expenditure.

Expanded Public Works Programme

Current-year receipts	8,323,000	5,780,000	8,323,000	5,780,000
Conditions met - transferred to revenue	(8,323,000)	(5,780,000)	(8,323,000)	(5,780,000)
	-	-	-	-

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

23. Government grants and subsidies (continued)

EPWP Grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines; road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land based livelihoods; social services programmes; health service programmes; and community safety programmes

Municipal Systems Improvement Grant

Current-year receipts	934,000	890,000	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)	(934,000)	(890,000)
	-	-	-	-

The grant was used to establish and review policies, by laws, Internal Controls Systems and the preparation of a GRAP compliant Asset Register. No funds were withheld.

Finance Management Grant

Current-year receipts	1,250,000	1,500,000	1,250,000	1,500,000
Conditions met - transferred to revenue	(1,250,000)	(1,500,000)	(1,250,000)	(1,500,000)
	-	-	-	-

The Finance Management Grant is allocated to municipalities to assist in building in house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Municipal Infrastructure Grant

Current-year receipts	367,363,000	354,885,000	367,363,000	354,885,000
Conditions met - transferred to revenue	(367,363,000)	(354,885,000)	(367,363,000)	(354,885,000)
	-	-	-	-

The Grant is meant to eradicate basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities

Department of Water Affairs

Balance unspent at beginning of year	9,469	9,469	9,469	9,469
Other	(9,469)	-	(9,469)	-
	-	9,469	-	9,469

This grant was used for the construction of dams, which will provide sustainable water supply to the communities of Umzimvubu and Matatiele local municipality areas. No funds were withheld.

Department of Transport

Current-year receipts	2,104,000	-	2,104,000	-
Conditions met - transferred to revenue	(2,104,000)	-	(2,104,000)	-
	-	-	-	-

The district municipalities are responsible for developing Integrated Transport plans that will contribute towards a structured and sustainable transport. No funds have been withheld.

Local Economic Development Capacity

Alfred Nzo District Municipality

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Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
23. Government grants and subsidies (continued)				
Balance unspent at beginning of year	(14,362)	(14,362)	(14,362)	(14,362)
Current-year receipts	300,000	-	300,000	-
Conditions met - transferred to revenue	14,362	-	14,362	-
	300,000	(14,362)	300,000	(14,362)

This grant was received to assist in local economic development and the promotion of tourism. No funds have been withheld.

Provide explanations of conditions still to be met and other relevant information.

Thetha

Balance unspent at beginning of year	32,481	32,481	32,481	32,481
Other	(32,481)	-	(32,481)	-
	-	32,481	-	32,481

.This grant is a contribution towards addressing HIV/AIDS issues in the areas of the local municipalities in the district and was used for the purchase of drugs , home based care kits. No funds have been withheld.

Water Conservation and Demand Management

Current-year receipts	1,526,782	16,280	1,526,782	16,280
Conditions met - transferred to revenue	(1,247,291)	(16,280)	(1,247,291)	(16,280)
	279,491	-	279,491	-

This grant has been allocated to assist the municipality to establish water conservation and demand management systems

Local Economic Development Strategy

Balance unspent at beginning of year	152	152	152	152
Other	(152)	-	(152)	-
	-	152	-	152

The grant was received to assist local economic development and the promotion of tourism. No funds have been withheld

Sports and Culture

Balance unspent at beginning of year	1,348,837	1,348,836	1,348,837	1,348,836
Conditions met - transferred to revenue	(985,018)	-	(985,018)	-
Undefined Difference	(1)	1	(1)	1
	363,818	1,348,837	363,818	1,348,837

Conditions still to be met - remain liabilities (see note 14).

Disaster Management

Balance unspent at beginning of year	339	339	339	339
Conditions met - transferred to revenue	(339)	-	(339)	-
	-	339	-	339

Conditions still to be met - remain liabilities (see note 14).

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

23. Government grants and subsidies (continued)

Infrastructure Skills Development Grant

Balance unspent at beginning of year	1,263,663	1,263,663	1,263,663	1,263,663
Current-year receipts	3,000,000	-	3,000,000	-
Conditions met - transferred to revenue	(3,939,331)	-	(3,939,331)	-
	324,332	1,263,663	324,332	1,263,663

Conditions still to be met - remain liabilities (see note 14).

Regional Bulk Grant

Balance unspent at beginning of year	-	3,165,566	-	3,165,566
Current-year receipts	44,683,488	13,709,934	44,683,488	13,709,934
Conditions met - transferred to revenue	(44,138,146)	(13,709,934)	(44,138,146)	(13,709,934)
Other	-	(3,165,566)	-	(3,165,566)
	545,342	-	545,342	-

Conditions still to be met - remain liabilities (see note 14).

The grant was used for the construction of dams which will provide sustainable water supply to the communities of Umzimvubu and Matatiele local municipality areas. The grant is transferred from DWA.

Fire and Emergency

Balance unspent at beginning of year	868,661	868,661	868,661	868,661
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Conditions still to be met - remain liabilities (see note 14).

Attic

Balance unspent at beginning of year	653,985	653,985	653,985	653,985
Conditions met - transferred to revenue	(508,111)	-	(508,111)	-
	145,874	653,985	145,874	653,985

Conditions still to be met - remain liabilities (see note 14).

This grant is a contribution towards addressing HIV/AIDS issues in the areas of the local municipalities in the district and was used for the purchase of drugs, home based care kits, etc. No funds were withheld.

Rural Housing

Balance unspent at beginning of year	5,219,814	5,219,814	5,219,814	5,219,814
Current-year receipts	4,500,000	-	4,500,000	-
Conditions met - transferred to revenue	(6,827,261)	-	(6,827,261)	-
	2,892,553	5,219,814	2,892,553	5,219,814

Conditions still to be met - remain liabilities (see note 14).

Integrated Sustainable Rural Development Programme

Balance unspent at beginning of year	411	411	411	411
Other	(411)	-	(411)	-
	-	411	-	411

Alfred Nzo District Municipality

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	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

23. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

Municipal Water Infrastructure Grant

Balance unspent at beginning of year	135,171	135,171	135,171	135,171
Current-year receipts	28,036,471	-	28,036,471	-
Conditions met - transferred to revenue	(28,171,642)	-	(28,171,642)	-
	-	135,171	-	135,171

Conditions still to be met - remain liabilities (see note 14).

Energy Efficiency

Current-year receipts	4,000,000	-	4,000,000	-
Conditions met - transferred to revenue	(4,000,000)	-	(4,000,000)	-
	-	-	-	-

Conditions still to be met - remain liabilities (see note 14).

24. Employee related costs

Basic	129,492,476	100,376,480	124,058,616	96,374,377
Bonus	6,822,422	6,238,011	6,822,422	6,238,011
Medical aid - company contributions	5,438,489	4,460,767	5,438,489	4,460,767
UIF	725,298	676,590	696,013	658,611
SDL	1,406,964	1,238,107	1,356,046	1,192,190
Leave pay provision charge	13,220,409	3,097,315	13,100,830	2,744,407
Defined contribution plans	10,204,534	9,082,961	10,204,534	9,082,961
Overtime payments	3,822,844	2,655,894	3,822,844	2,655,894
Acting allowances	369,679	319,282	-	319,282
Transport allowance (bus coupons)	8,875,140	8,322,353	8,875,140	8,322,353
Housing benefits and allowances	6,559,886	5,664,250	6,559,886	5,664,250
Holiday Bonus	850	-	-	-
Stand by Allowances	1,108,102	1,160,600	1,029,510	966,619
Shift Allowances	9,369,866	8,268,350	9,369,866	8,268,350
Bargaining Council	37,744	35,212	37,744	35,212
Defined Benefits; Long Service Awards	(1,969,234)	4,345,126	(1,969,234)	4,344,775
Employment Equity	215,500	21,760	199,500	-
	195,700,969	155,963,058	189,602,206	151,328,059

Remuneration of Municipal Manager

Annual Remuneration	419,585	780,300	419,585	780,300
Car Allowance	103,565	196,116	103,565	196,116
Annual Bonus	69,400	27,094	69,440	27,094
Contributions to UIF, Medical and Pension Funds	290,123	260,100	290,123	260,100
	882,673	1,263,610	882,713	1,263,610

There was no Municipal Manager for 6 months from January 2015 to June 2015. The Senior Manager- Technical Services was acting in place of the Municipal Manager for that period

Remuneration of Chief Finance Officer

Annual Remuneration	811,651	757,368	811,651	757,368
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Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
24. Employee related costs (continued)				
Car Allowance	269,784	253,497	269,784	253,497
Annual Bonus	67,399	21,038	67,399	21,038
Contributions to UIF, Medical and Pension Funds	212,563	187,848	212,563	187,848
	1,361,397	1,219,751	1,361,397	1,219,751

Remuneration of Senior Manager- Community Services

Annual Remuneration	811,650	189,342	811,650	189,342
Car Allowance	134,085	31,557	134,085	31,557
Annual Bonus	33,700	-	33,700	-
Contributions to UIF, Medical and Pension Funds	347,303	78,000	347,303	78,000
	1,326,738	298,899	1,326,738	298,899

Remuneration of Senior Manager- Corporate Services

Annual Remuneration	811,650	757,368	811,650	757,368
Car Allowance	284,184	257,841	284,184	257,841
Annual Bonus	67,399	63,114	67,399	63,114
Contributions to UIF, Medical and Pension Funds	198,133	183,501	198,133	183,501
	1,361,366	1,261,824	1,361,366	1,261,824

Remuneration of Senior Manager- Technical Services

Annual Remuneration	914,862	441,798	914,862	441,798
Car Allowance	258,500	61,027	258,500	61,027
Annual Bonus	50,550	57,855	50,550	57,855
Contributions to UIF, Medical and Pension Funds	186,717	196,113	186,717	196,113
Acting Allowance	6,122	-	6,122	-
	1,416,751	756,793	1,416,751	756,793

Remuneration of Senior Manager- Planning and Economic Development

Annual Remuneration	811,650	757,368	811,650	757,368
Car Allowance	285,820	257,841	285,820	257,841
Annual Bonus	67,399	63,114	67,399	63,114
Contributions to UIF, Medical and Pension Funds	198,998	183,501	198,998	183,501
Acting Allowance	8,847	-	8,847	-
	1,372,714	1,261,824	1,372,714	1,261,824

25. Remuneration of councillors

Executive Major	476,556	451,746	476,556	451,746
Deputy Executive Mayor	-	78,777	-	78,777
Mayoral Committee Members	3,277,187	2,545,801	3,277,187	2,545,801
Speaker	-	28,133	-	28,133
Councillors	4,547,289	4,202,531	4,547,289	4,202,531
Chief Whip	324,943	414,925	324,943	414,925
	8,625,975	7,721,913	8,625,975	7,721,913

26. Finance costs

Interest on Loan	1,640,908	2,262,434	1,640,908	2,174,501
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Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
27. Bulk purchases				
Water	4,077,989	2,338,164	4,077,989	2,338,164
28. Contracted services				
Information Technology Services	7,708,319	8,356,782	7,708,319	8,356,782
Fleet Services	11,285,215	5,983,599	11,285,215	5,983,599
Other Contractors	22,106,111	34,682,478	22,106,111	34,682,478
	41,099,645	49,022,859	41,099,645	49,022,859
29. General expenses				
Accounting fees	737,300	-	-	-
Advertising	1,282,332	818,672	1,171,988	752,732
Auditors remuneration	7,335,786	6,532,467	6,065,227	5,403,481
Bank charges	666,264	280,871	655,943	263,640
Cleaning	403,484	366,602	338,284	297,522
Computer expenses	741,193	101,258	526,316	-
Consulting and professional fees	6,611,323	3,031,487	718,706	377,402
Consumables	4,467,073	729,327	4,467,073	729,327
Entertainment	8,198	8,134	-	-
Fines and penalties	-	79,464	-	-
Recruitment Expenses	156,089	152,624	-	-
Hire	1,947,582	2,085,136	1,873,859	1,978,036
Insurance	830,711	1,133,556	771,889	1,121,031
Conferences and seminars	-	197,267	-	-
IT expenses	761,456	78,940	669,734	-
Marketing	1,271,861	1,003,497	1,271,861	1,003,497
Magazines, books and periodicals	69,158	72,678	69,158	72,678
Motor vehicle expenses	300	-	-	-
Pest control	20,310	40,600	20,310	40,600
Fuel and oil	3,971,466	4,524,345	3,971,466	4,524,345
Placement fees	271,737	407,890	271,737	407,890
Postage and courier	-	2,150	-	-
Printing and stationery	763,466	895,705	252,092	875,560
Promotions	222,777	365,349	-	-
Protective clothing	5,264,509	420,300	5,264,509	420,300
Subscriptions and membership fees	1,450,070	4,454	1,450,070	-
Telephone and fax	5,786,375	4,663,566	5,471,250	4,457,869
Training	2,762,111	2,548,004	2,097,107	2,346,416
Travel - local	13,475,449	10,127,845	11,894,344	9,160,127
Assets expensed	8,717	14,621	-	-
Electricity	10,049,783	7,668,829	9,985,273	7,539,345
Accommodation	7,890,295	6,599,506	6,372,966	5,894,871
Audit Committee	331,750	319,706	302,225	298,320
Board Fees	354,802	362,533	-	-
Catering and Venue Hire	2,739,246	2,839,020	2,739,246	2,839,020
Environmental Management	199,976	85,935	199,976	85,935
Fire and Rescue Services	1,504,100	947,465	1,504,100	947,465
Licence Fees	1,687,140	1,233,297	1,628,731	1,232,082
Occupational Health and Safety	41,105	51,953	41,105	51,953
Other Grant Expenses	900,982	484,381	900,982	484,381
Other expenses	40,816,128	36,995,582	39,270,335	35,986,430
	127,802,404	98,275,016	112,237,862	89,592,255

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
30. Cash generated from operations				
Surplus	331,430,825	257,367,147	338,024,722	253,211,294
Adjustments for:				
Depreciation and amortisation	51,794,571	52,064,690	51,429,966	51,886,504
Gain (loss) on sale of assets and liabilities	337,213	(626,645)	337,213	(626,645)
Impairment deficit	-	305,895	-	-
Debt impairment	13,543,023	14,013,824	13,543,023	14,013,824
Interest on Outstanding Debtors	(7,440,709)	(1,426,046)	(7,440,709)	(1,426,046)
Other non-cash items	75,537,281	(82,093,743)	75,587,325	(81,420,941)
	465,202,204	239,605,122	471,481,540	235,637,990

31. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2015

Financial assets

	At fair value	At amortised cost	Total
Fixed Deposits	89,079,968	-	89,079,968
Car Loans	-	76,783	76,783
Trade and other receivables	-	22,893,378	22,893,378
Call deposits	73,858,917	-	73,858,917
Cash and cash equivalents	2,917,131	-	2,917,131
Other receivables from non-exchange transactions	-	2,047,833	2,047,833
	165,856,016	25,017,994	190,874,010

Financial liabilities

	At amortised cost	Total
DBSA Loans	9,415,815	9,415,815
Payables	88,099,634	88,099,634
Retentions	94,110,661	94,110,661
Third party payments	1,325,274	1,325,274
	192,951,384	192,951,384

Economic entity - 2014

Financial assets

	At fair value	At amortised cost	Total
Fixed Deposits	22,579,198	-	22,579,198
Car loans	-	230,846	230,846
Trade and other receivables from exchange transactions	-	15,432,327	15,432,327
Call Deposits	231,558,110	-	231,558,110
Cash and cash equivalents	14,570,502	-	14,570,502
	268,707,810	15,663,173	284,370,983

Financial liabilities

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

Financial instruments disclosure (continued)

	At amortised cost	Total
DBSA Loans	28,903,902	28,903,902
Payables	62,346,429	62,346,429
Third party payments	57,190	57,190
Retentions	53,337,588	53,337,588
	144,645,109	144,645,109

Controlling entity - 2015

Financial assets

	At fair value	At amortised cost	At cost	Total
Unlisted Investments	-	100	-	100
Fixed Deposits	89,079,968	-	-	89,079,968
Car loans	-	76,783	-	76,783
Trade and receivables from exchange transactions	-	22,859,913	-	22,859,913
Call Deposits	71,226,061	-	-	71,226,061
Other receivables from non exchange transactions	-	-	2,047,833	2,047,833
Cash and cash equivalents	2,584,237	-	-	2,584,237
	162,890,266	22,936,796	2,047,833	187,874,895

Financial liabilities

	At amortised cost	Total
DBSA	9,415,815	9,415,815
Payables	85,487,330	85,487,330
Retentions	94,110,661	94,110,661
Third party payments	1,325,274	1,325,274
ANDA	2,715	2,715
	190,341,795	190,341,795

Controlling entity - 2014

Financial assets

	At fair value	At amortised cost	Total
Unlisted Investments	-	100	100
Fixed Deposits	22,579,198	-	22,579,198
Car loans	-	230,846	230,846
Trade and other receivables from exchange transactions	-	15,407,714	15,407,714
Other receivables	-	622,857	622,857
Call Deposits	231,534,008	-	231,534,008
Cash and cash equivalents	4,416,846	15,432,327	19,849,173
	258,530,052	31,693,844	290,223,896

Financial liabilities

	At amortised cost	Total
DBSA	28,903,902	28,903,902
Payables	60,731,411	60,731,411

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
Financial instruments disclosure (continued)				
Third Party Payments			57,190	57,190
Retentions			53,337,588	53,337,588
ANDA			1,784,874	1,784,874
			144,814,965	144,814,965

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	935,975,573	505,823,721	935,975,573	505,823,721
• Operational Commitments	9,522,721	7,241,062	6,712,479	4,975,970
	945,498,294	513,064,783	942,688,052	510,799,691

Not yet contracted for and authorised by directors

• Property, plant and equipment	-	-	-	1,370,508,348
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Total capital commitments

Already contracted for but not provided for	945,498,294	513,064,783	942,688,052	510,799,691
Not yet contracted for and authorised by directors	-	-	-	1,370,508,348
	945,498,294	513,064,783	942,688,052	1,881,308,039

Operating leases - Buildings (expense)

Minimum lease payments due

- within one year	103,019	106,766	103,019	106,766
- in second to fifth year inclusive	26,534	147,485	26,534	147,485
	129,553	254,251	129,553	254,251

Operating leases - vehicles

Within one year	988,308	2,875,236	988,308	2,875,236
In second to fifth year inclusive	-	518,627	-	518,627
	988,308	3,393,863	988,308	3,393,863

Other Equipment

Within one year	519,926	159,294	519,926	159,294
In second to fifth year inclusive	433,272	-	433,272	-
	953,198	159,294	953,198	159,294

Operating lease payments represent rentals payable by the municipality. No contingent rent is payable.

Operating leases - Buildings (income)

Minimum lease payments due

- within one year	-	247,318	-	247,318
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Operating lease relate to property owned by the municipality with terms of between 2 to 3 years with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase property at the expiry of the lease period.

33. Contingencies

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
33. Contingencies (continued)				
Contingent Liabilities				
Failure to pay for services rendered	-	-	-	-
Malukazi Investments vs ANDM	1,914,259	1,914,259	1,914,259	1,914,259
Affinity Solutions vs ANDM	313,505	313,505	313,505	313,505
Zoliswa Mgwebi vs ANDM	1,200,000	1,200,000	1,200,000	1,200,000
J and G vs ANDM	115,000	6,572	115,000	6,572
J and G Enterprises vs ANDM	1,541,600	1,541,600	1,541,600	1,541,600
3 P Consulting	566,189	566,189	566,189	566,189
Amangcuse Security and Cleaning vs ANDM	705,346	-	705,346	-
Zolani Gulwa	900,000	-	90,000	-
Zanovuyo vs ANDM	84,328	-	84,328	-
Sihlangane Financial Advisory Services vs ANDM	235,585	-	235,585	-
Sinezopho Urban and Rural Development vs ANDM	1,544,713	1,544,713	1,544,713	1,544,713
Gelstat vs ANDM and ANDA	10,898,400	10,898,400	10,898,400	10,898,400
Madikezela vs ANDM	200,000	-	200,000	-
Madodanele vs ANDM	180,000	-	180,000	-
Jack Zulu vs ANDM	17,250	17,250	17,250	17,250
Phumla Mabandla vs ANDM	6,572	6,572	6,572	6,572
Molketsi Joseph Phirimane vs ANDM	28,200	28,200	28,200	28,200
Nothuthuzelo vs ANDM	6,907	-	6,907	-
Bulelani Airlington Mambi vs ANDM	1,079	-	1,079	-
Rob Pottow Irrigation vs ANDM	24,522	24,522	24,522	24,522
Kwebi Creative cc vs ANDM	10,986,433	-	10,986,433	-
Peranho Trading (Pty) Ltd	1,289,050	-	1,289,050	-
David Sapeika Credit vs ANDM	159,174	159,174	159,174	159,174
Theodore Armstrong Rautenbach vs ANDM	1,748,053	-	1,748,053	-
Titi vs ANDM	29,825	-	29,825	-
Magadlaand Luhabe vs ANDM	32,179	-	32,179	-
MC Mgugudo vs ANDA	120,734	120,734	-	-
	34,848,903	18,341,690	33,918,169	18,220,956

Contingent assets

Sinothando Mtshengu vs ANDM	62,054	-	62,054	-
Elvin Mkwado Chirwa vs ANDM	71,731	-	71,731	-
M P Civils vs ANDM	30,700	30,700	30,700	30,700
Vukile Selloyane vs ANDM	21,322	-	21,322	-
Lulamile Mapholoba vs ANDM	17,000	-	17,000	-
Mzulungile Luphindo vs ANDM	21,240	-	21,240	-
Dumisani Luswana vs ANDM	90,369	-	90,369	-
Thembile Thompson vs ANDM	97,616	-	97,616	-
	412,032	30,700	412,032	30,700

34. Prior period errors

The prior year has been amended to account for prior year errors

Below is a summary of the total effect that the prior period errors , changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior error with the amounts involved.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Performance for the year ended 30 June 2015	Balance as previously reported	Change in accounting policy	Prior period error	Reclassified	Restated balance
Agency Services	3,798	-	-	-	3,798

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
34. Prior period errors (continued)				
Gain/Losses	626,645	-	-	626,645
Government grants and subsidies	737,010,793	(100,637)	(274,341)	736,736,452
Interest earned- external investments	16,487,429	-	9,524	16,496,953
Interest earned - outstanding debtors	-	-	1,426,050	1,426,050
Other Income	1,217,877	-	(45,558)	1,446,660
Public contributions and donations	81,500	-	-	81,500
Rental of facilities and equipment	255,199	-	-	255,199
Service charges	16,722,505	-	(1,359,730)	15,362,775
TOTAL REVENUE	772,405,746	(100,637)	30,286	772,436,032
Bad debts and impairment losses	(14,013,824)	-	-	(14,013,824)
Bulk purchases	(2,338,164)	-	-	(2,338,164)
Contracted services	(27,347,567)	-	(2,686,689)	(49,022,862)
Depreciation and amortisation	(51,744,530)	-	(141,974)	(51,886,504)
Employee related costs	(139,512,199)	-	-	(151,328,066)
Finance Costs	(2,174,502)	-	-	(2,174,502)
Grants and subsidies paid	(148,303,097)	-	(8,133,081)	(137,447,572)
Other expenditure	(63,602,776)	-	(31,419,476)	(89,592,255)
Remuneration of councillors	(7,593,441)	-	-	(7,721,913)
Repairs and maintenance	(50,091,983)	-	29,878,551	(13,699,090)
	265,683,663	(100,637)	(12,472,383)	- 253,211,280

Statement of Financial Position as at 30 June 2015	Balance as previously reported	Change of accounting policy	Prior period errors	Reclassified	Restated Balance
Cash and Bank	134,592,929	-	9,524	-	134,602,453
Investments	123,927,598	-	-	-	123,927,598
Inventory	5,808,926	-	-	-	5,808,926
Operating lease asset	1,029	-	-	-	1,029
Receivables from exchange transactions	15,718,827	-	(210,476)	(100,637)	15,407,714
Other receivables from exchange transactions	622,854	-	-	-	622,854
VAT receivable	4,948,937	-	-	100,637	5,049,574
Heritage Assets	131,000	-	-	-	131,000
Intangible assets	2,594,195	-	(25,986)	-	2,568,209
Investments	100	-	-	-	100
Long term receivables	162,387	-	68,459	-	230,846
Property Plant and Equipment	,893,138,498	-	3,820,537	-	,896,959,035
Total Assets	,181,647,280	-	3,662,058	-	,185,309,428
Operating lease liability	38,211	-	-	-	38,211
Current portion of long term liabilities	1,646,910	-	-	510,229	2,157,139
Payables from exchange transactions	107,926,957	-	1,955,593	(510,229)	109,372,321
Provisions	5,627,446	-	-	-	5,627,446
Unallocated credits	1,848,080	-	-	-	1,848,080
Unspent Conditional grants	12,684,188	-	(3,165,566)	-	9,518,622
Long term liability	26,746,761	-	-	-	26,746,761
Provisions	8,111,948	-	-	-	8,111,948
Accumulated surplus opening balance	499,074,858	-	5,815,270	-	504,890,128
	,845,352,639	-	8,267,355	-	,853,620,084

Accumulated surplus

Rams - Professional fees transferred to operational expenses	2,413,416
Sanitations Projects transferred to operational expenses	7,746,147
Recognition of Creditor amount not accrued for 201-2015	1,563,297
Reversal of commitments incorrectly accrued for	(1,107,386)
Unrecorded liabilities	1,745,220
Correction of unrecorded interest on the WSA bank account	(9,524)
Writting off old misallocation on the Water debtots account	210,476

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
34. Prior period errors (continued)				
Recognising debtors balance incompletely captured			(68,459)	
Wring off Regional bulk scheme grant			(3,165,566)	
Recognisig Asset Incorrectly capitalised and depreciation incorrectly recognised			145,516	
Recognition of land seperately			(14,089,457)	
Reversal of disposed assets duplicated			(858,299)	
Changes inthe surplus for the 2013-2014 due to prior year adjustment			(12,472,383)	
Correction of Intangible Assets			25,000	
Recognition of impairment loss understated			43,065	
Correction of depreciation understated			(81,990)	
Correction of amortisation cost related to misstated intangible cost			896	
Correction of Infrastructure depreciation charges misstated			(327,625)	
			(18,287,656)	

Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014

34. Prior period errors (continued)

Statement of Financial Position

Payables from exchange transactions

Accruals amounts reported on 30th June 2014 erroneously included commitments amounting to R1 473 545. These commitments resulted in the overall overstatement of the payables by the abovementioned amount.

Property Plant and Equipment

Property, plant & equipment amounts reported as at 30th June 2014 erroneously included operational expenses relating to professional fees and VIP sanitation handed over to the community. This resulted in the understatement of operational expenses account by R10 159 563 and overstatement of Property, plant, and equipment by the same amount.

Cash and Bank

Interest earned in the Water Services Bank Account was not recorded in the bank account as at year end. This resulted in the understatement of the bank balance as well as interest income by R9 524.

Unspent Conditional Grant

The unspent grant was not recognised as income resulting in an overstatement of the unspent grant portion and understatement of grant income for the previous financial years. The overall misstatement corrected was R3 165 566

Long Term Receivables

The receivables balances was understated by interest amounts charged on outstanding debtors but not recorded in the system. The overall effect on balance was understatement of debtors by R89 222

Statement of Financial Performance

Repairs and maintenance

Expenses that relate to employee costs and general expenses were classified and recorded under repairs and maintenance. This resulted in overstatement of repairs and maintenance by R 37 737 197 and understatement of the employee costs and general expenses.

Service charges

Service charges had initially not been recognised at fair value per the provision of GRAP paragraph 15. This resulted in the overstatement of the service charges by R 1 359 730 and understatement of interest earned - outstanding debtors.

Prior year amounts have been amended to account for these errors. This correction of the errors results in adjustments as follows

Statement of Financial Position

Payables from exchange transactions

Accrual amounts reported as at the 30th June 2014 erroneously included commitments amounting to R 1 473 545. These commitments resulted in the overall overstatement of the payables by the above mentioned amount.

Some expenses incurred in the 2014 financial year were included erroneously in the 2015 financial year and consequently the payables from exchange transactions were understated by R2 116 139

A grant payable to the Alfred Nzo Development Agency as at 30 June 2014 was omitted from the financial statements as reported at year end. Consequently the payables for the 2014 financial statements were understated by R1 782 159.

Property Plant and Equipment

Property, plant & equipment amounts reported as at 30th June 2014 erroneously included operational expenses relating to professional fees and VIP sanitation handed over to the community. This resulted in the understatement of

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34. Prior period errors (continued)

operational expenses account by R10 159 563 and overstatement of Property, plant, and equipment by the same amount. The land owned by the municipality was valued and included in the financial statements at a deemed cost of R14 089 456. The land had initially been understated by the same amount.

Intangible Assets

Intangible assets cost erroneously included an amount of R25 000. This resulted in the overstatement of the intangible assets costs by R25 000 as well as the related amortisation by R896

Cash and Bank

Interest earned in the Water Services Bank Account was not recorded in the bank account as at year end. This resulted in the understatement of the bank balance as well as interest income by R9 524.

Unspent Conditional Grant

The unspent grant was not recognised as income resulting in an overstatement of the unspent grant portion and understatement of grant income for the previous financial years. The overall misstatement corrected was R3 165 566

Long Term Receivables

The receivables balances was understated by interest amounts charged on outstanding debtors but not recorded in the system. The overall effect on balance was understatement of debtors by R680 459

Statement of Financial Performance

Repairs and maintenance

Expenses that relate to employee costs and general expenses were classified and recorded under repairs and maintenance. This resulted in overstatement of repairs and maintenance by R31 583 135 and understatement of the employee costs and general expenses.

Service charges

Service charges had initially not been recognised at fair value per the provision of GRAP paragraph 15. This resulted in the overstatement of the service charges by R 1 359 730 and understatement of interest earned - outstanding debtors.

Prior year amounts have been amended to account for these errors. This correction of the errors results in adjustments as follows

Classification Error

Balance Sheet

The interest due to DBSA amounting to R510 229 for the last quarter of June 2014 was incorrectly classified under trade and other payables from exchange transactions. The interest has now been correctly classified under the current portion of long term liabilities

Income Statement

Grant and Subsidies

Some expenditure line item sitting under grants and subsidies were identified and incorrectly classified as they were not by nature grants and subsidies. These expenses were reclassified to other expenses (18 988 606)

Repairs and maintenance

Some expenditure items were classified incorrectly under repairs and maintenance. These amounts related to printing and stationery, leasing motor vehicle and GIS data capturing. These items were reclassified to other expenses (6 514 342)

Government grants and subsidies

Some other income line items were incorrectly classified as Government Grants and subsidies. These amounts relate to

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34. Prior period errors (continued)

Fire and Emergency and LG seta. These items were reclassified to other income (274 341)

Remuneration of Councillors

Housing subsidy for councillors was incorrectly accounted for as employee costs in 2013/14 AFS, this has now been classified as remuneration for councillors. (R128 472)

Employee related costs

The operators salary cost were incorrectly classified under other expenses instead of the correct classification as employee cost. An amount of R11 944 339 was reclassified from other expenditure to employee costs.

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35. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor and adherence to limits.

Due to the largely non- trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day to day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality approach to managing liquidity is to ensure, as far as possible , that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipalities reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cashflow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met..

Credit risk

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Figures in Rand	2015	2014	2015	2014

35. Risk management (continued)

Credit Risk is the risk of financial loss to the municipality if a customer or counterpart to a financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investments securities. Credit Risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the municipality. The municipality a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterpart are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investments deposits bank and cash balances

Trade and Other Receivables are amounts owed by consumer and are net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the incur debt for rates, water and sanitation services rendered to them. Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of provision for impairment.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries in the geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by 'levying of penalty charges', 'demand for payment', restriction services " and , as a last resort, " handover for collection", whichever procedure is applicable in terms of Councils Credit Control and Debt Collection policy.

The municipality limits this risk exposure in the following ways in, addition to its normal credit control and debt management procedures:

The application of section 118(3) of the municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from previous debtor on the same property;

A new owner is advised, prior to the issue of rates clearance certificate, that any debt remaining from previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount:

Encouraging residents to install water management devices that control flow of water to households, and/or prepaid meters.

The requirement of a deposit for new service connections, serving as guarantee

The consolidation of rates and service accounts, enabling the disconnecting services for the non payment of any of the individuals debts,in terms the section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Economic entity - 2015	Economic entity - 2014	Controlling entity - 2015	Controlling entity - 2014
Fixed Deposits Investments	89,079,968	22,579,298	89,079,968	22,579,298
Long Term Receivables	76,783	230,846	76,783	230,846
Receivables from exchange transactions	23,631,893	16,030,571	23,598,428	16,030,571
Receivables from non excahnge transactions	43,237,600	6,666,285	40,581,107	5,049,575
Cash and Cash Equivalents	76,776,048	144,780,213	73,810,298	134,602,454

Alfred Nzo District Municipality

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Notes to the Consolidated Financial Statements

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Figures in Rand	2015	2014	2015	2014

35. Risk management (continued)

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest risk consist mainly of fixed deposits investments, long term debtors, other debtors, short term investments deposits and bank and cash balances.

The municipality limits its counterpart exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterpart is managed by setting percentage exposure limits, which are included in the municipality's investment policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the council.

Consumer debtors comprise of a large number of rate payers, dispersed across different industries and geographical areas. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges" "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Councils Credit Control and Debt Collection Policy

Long term receivables and other debtors are individually evaluated annually at Balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

36. Unauthorised expenditure

Opening Balance	126,672,371	126,672,371	126,672,371	126,672,371
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37. Fruitless and wasteful expenditure

Opening Balance	2,761,360	504,384	547,466	504,384
Fruitless and wasteful expenditure	161,047	2,256,976	95,617	43,082
	2,922,407	2,761,360	643,083	547,466

Incident

Interest paid to Eskom	52,241	43,082	52,241	43,082
Telkom	36,560	-	36,560	-
Umngeni Water	49	-	49	-
Rheochem	6,816	-	6,816	-
SARS	65,381	2,213,894	-	-
	161,047	2,256,976	95,666	43,082

38. Irregular expenditure

Opening balance	21,224,022	1,522,256	12,140,434	(1,585,621)
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Alfred Nzo District Municipality

Consolidated Financial Statements for the year ended 30 June 2015

Notes to the Consolidated Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2015	2014	2015	2014
38. Irregular expenditure (continued)				
Add: Irregular Expenditure - current year	178,565,282	19,701,766	177,912,379	13,726,055
	199,789,304	21,224,022	190,052,813	12,140,434

Details of irregular expenditure – current year

Irregular expenditure relates to expenditure incurred contrary to Supply Chain Management policy and regulations	-
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39. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2,000	5,000	2,000	5,000
Amount paid - current year	(2,000)	(5,000)	(2,000)	(5,000)
	-	-	-	-

Audit fees

Amount paid - current year	6,350,638	5,403,481	6,350,638	5,403,481
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PAYE and UIF

Current year subscription / fee	28,170,310	23,903,879	28,170,310	23,903,879
Amount paid - current year	(28,170,310)	(23,903,879)	(28,170,310)	(23,903,879)
	-	-	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	27,279,267	23,520,433	27,279,267	23,520,433
Amount paid - current year	(27,279,267)	(23,520,433)	(27,279,267)	(23,520,433)
	-	-	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Kotelana NE	390	12,060	12,450
Macupe SB	708	8,187	8,895
Mhlembana	222	2,236	2,458
Booi NM	510	9,990	10,500
Twabu ET	107	18,461	18,568
Tobo N	29	647	676
	1,966	51,581	53,547

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
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	Economic entity		Controlling entity	
Figures in Rand	2015	2014	2015	2014
39. Additional disclosure in terms of Municipal Finance Management Act (continued)				
Kotelana NE		207	11,203	11,410
Macupe SB		365	6,058	6,423
		572	17,261	17,833

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident				
Emergency services	64,480	-	64,480	-
Sole Provider	897,103	-	897,103	-
	961,583	-	961,583	-

40. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the consolidated financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Section 45

Amabongwe Build and Civils	2,798,882	2,483,786	2,798,882	2,483,786
Ana Odz Multi Traders	-	8,000	-	8,000
Bunono Besizwe Traders Rural Development	-	177,000	-	177,000
Cashbuild	-	3,319	-	3,319
Cholo- Chola Construction	6,500	7,500	6,500	7,500
Coega Corporate Travel	-	4,557,869	-	4,557,869
Coega Development	-	1,110,896	-	1,110,896
Media 24	26,599	-	26,599	-
Mt Free Livestock	15,000	-	15,000	-
Consultancy for business	128,600	-	128,600	-
Informer Newspaper	54,000	-	54,000	-
Ngcolisi Consulting Engineers	1,119,057	-	1,119,057	-
Dokose Construction	406,628	-	406,628	-
Mamathule Business Enterprise	2,250	-	2,250	-
Zivele Catering	27,650	-	27,650	-
Wilbat	5,600	-	5,600	-
Restoration Development	29,600	-	29,600	-
Tshops Security	1,781,398	-	1,781,398	-
Rhuu Construction	2,394,119	-	2,394,119	-
Fever Publication	38,988	-	38,988	-
Lipota Business Trading	17,375	-	17,375	-
Night Shades Trading	12,035	-	12,035	-
Lisafika Trading	169,135	-	169,135	-
Thabile Trading	2,184,417	-	2,184,417	-
Sisonke Jiv	503,532	-	503,532	-
Afrizona Guest House	29,995	-	29,995	-
Lufizo Trading	6,500	-	6,500	-

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	2015	2014	2015	2014
40. Deviation from supply chain management regulations (continued)				
Ali Con Trading	5,500	-	5,500	-
Thina Civil Trading	6,500	-	6,500	-
Nkwenkwenzei JV	484,959	-	484,959	-
Jayaso Trading	50,000	-	50,000	-
Nivas Trading	70,000	-	70,000	-
Dlambulo	3,900	-	3,900	-
Mafingwa Trading Enterprises	73,200	-	73,200	-
L G Construction	3,056,899	-	3,056,899	-
Dohlanga Cateres	23,245	-	23,245	-
Black Curl Trading	194,807	-	194,807	-
Pure Originals	8,900	-	8,900	-
Nomlala Accountants	225,975	-	225,975	-
Afro Vision	21,000	-	21,000	-
Akhayoyo	16,500	-	16,500	-
DXW092	42,008	-	42,008	-
Thathulu Trading	15,645	-	15,645	-
MPASH Trading	6,352	-	6,352	-
Mayekenze	13,500	-	13,500	-
Hazel Miya	19,500	-	19,500	-
Real World Security	10,496	-	10,496	-
Dolly Selly	27,650	-	27,650	-
Dispatch Media	857,177	-	857,177	-
NOD MPE	7,500	-	7,500	-
Lizeka Son	49,701	-	49,701	-
Prestige Conferencing	198,747	-	198,747	-
Mbixane Twins	3,500	-	3,500	-
Trveline Leadership	200,000	-	200,000	-
Ccpho Trading Enterprises	21,500	-	21,500	-
Nomakhismisi	10,000	-	10,000	-
Clendosi	9,150	-	9,150	-
Xolweni	158,250	-	158,250	-
Hlubiz Construction	118,900	-	118,900	-
Dumolwakhe Construction	109,605	-	109,605	-
Sikelala	31,900	-	31,900	-
Alfred Nzo Technologies	1,339,764	-	1,339,764	-
Alfred Nzo Community Radio	210,404	-	210,404	-
Izwi le Africa	25,000	-	25,000	-
	19,485,494	8,348,370	19,485,494	8,348,370